

# Financial Performance Analysis of Banking Sector in India

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## ABSTRACT

The banking sector is the backbone of our economy. It offers a wide range of financial services. The banking industry's growth is dependent on the public's traditional services, such as deposits and loans. The banking sector has a direct impact on economic development. Customer service, deposit and loan facilities, and financial results are all factors that affect the bank's ability to grow. The following paper covers the financial performance analysis of the public sector banks. Financial Performance analysis of Selected Public and private Sector Bank (State Bank of India, ICICI bank and HDFC bank) during the Periods of 5 Financial year (2018 to 2022). This study based on entirely on secondary data and tools used to Ratio analysis selected public sector banks. Based on the data review the study found that private banks outperformed public sector banks. In the private sector, HDFC Bank outperformed ICICI Bank. Among public sector banks, SBI was observed to be very stable and to offer consistent returns to investors.

**KEYWORDS:** *Financial Performance, public banks, private banks, ratio analysis*

## INTRODUCTION

The banking sector is the backbone of our economy. It offers a wide range of financial services. The banking industry's growth is dependent on the public's traditional services, such as deposits and loans. The banking sector has a direct impact on economic development. Customer service, deposit and loan facilities, and financial results are all factors that affect the bank's ability to grow. Public and private sector banks each have their own set of advantages and disadvantages. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. They make funds available to meet the needs of individuals, businesses and the government. In So before making any financial decisions about a bank, it is vital to determine its financial efficiency, regardless of whether it is public or private.

## Research Objective-

1. To look at India's banking sector's financial success over the last five years.
2. The study also aims to identify the key factors that affect bank performance.
3. To identify the best banks based on their financial results over a fixed period of time.

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## Research Methodology-

This research is descriptive and quantitative in nature as it is studying the current financial status of the selected 4 banks that is SBI, BoB, ICICI bank, and HDFC bank. The yearly financial data of SBI, BoB, ICICI bank, and HDFC bank from 2018 to 2022 were collected from the financial websites. For the data analysis purpose, the total net profit, total assets, total income, total expense, net profit margin ratio, and return to net-worth ratio, Earning per share ratio, CASA ratio and Capital Adequacy ratio is calculated and compared.

## Review of Literature-

**Karri, Meghani and Mishra 2015** in A **Comparative Study on Financial Performance of Public Sector Banks in India: An Analysis on Camel Model** they used the CAMEL model and T-test to evaluate the financial strength of Bank of Baroda and Punjab National Bank. Based on financial ratios they discovered that Bank of Baroda outperformed Punjab National Bank on average.

**Kumar N. and Kumar N 2016** in A **Comparative Financial Performance Analysis of Selected Public Sector Banks in India** they studied and compared the output of four public sector banks from 2011 to 2015.

They compared SBI to other public banks using a variety of financial ratios and came to the conclusion that SBI is superior.

**Srinivasan and Tamilarasu 2022** in article **A study of financial performance analysis of selected Public and Private sector Banks** they investigated that the financial ratios reveal that public sector banks have a better outreach among both the urban and rural populace but private sector banks, though well embedded in urban regions, are still stretched thin in rural regions. This reveals that the public sector banks have heavy assets and employ a huge work force compared to private sector banks. In terms of financial performance, public sector banks lag in

profitability in comparison to private sector banks but enjoy the stability due to the support of the Union government. Private sector banks give more importance to current accounts in comparison to savings account as current accounts improve profitability by cutting expenses while savings accounts are expensive to the bank. In case of public sector banks, customers prefer them more for savings accounts and fixed deposits owing to their stability and security.

According to the literature review, the performance of private banks and public banks differ significantly in terms of time, profitability, credit risk, asset quality, return generating capability and other factors.

## DATA ANALYSIS

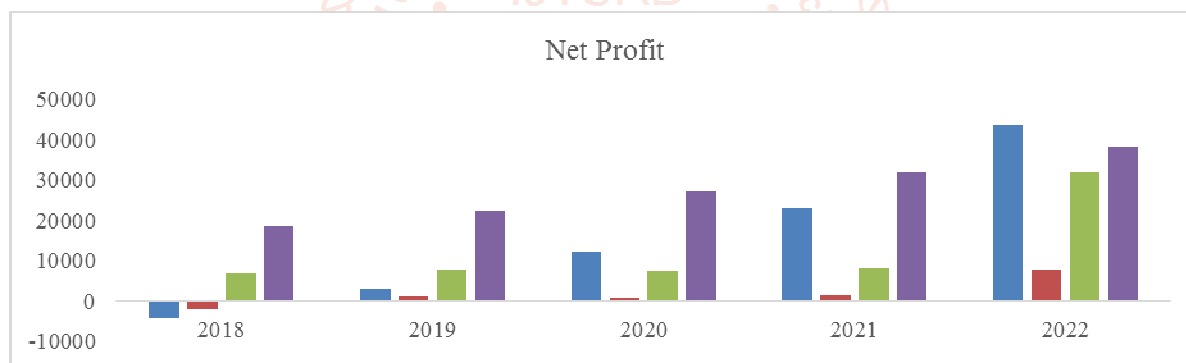
### 1. Net Profit

**Table-1. Net Profit**

(Am. in Crore rs.)

Name of Bank	2018	2019	2020	2021	2022
SBI	-4177	3085	12395	22912	43775
BoB	-1912	1087	942	1454	7700
ICICI	6959	7910	7486	8054	8936
HDFC	18561	22446	27296	31857	38151

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

The table-1 show that the zig-zag pattern of BoB's net profit is decreased and increased in 2019, and decreased by 9.88 times in 2020. It Remain Inceasing in 2021 and 2022. On the other hand, SBI controlled its profit after 2018 and raised its profit. ICICI Bank performed well in the private banking sector as compared to the other two banks. Its profit has steadily increased over the last five years, while HDFC Bank's profit has remained stagnant.

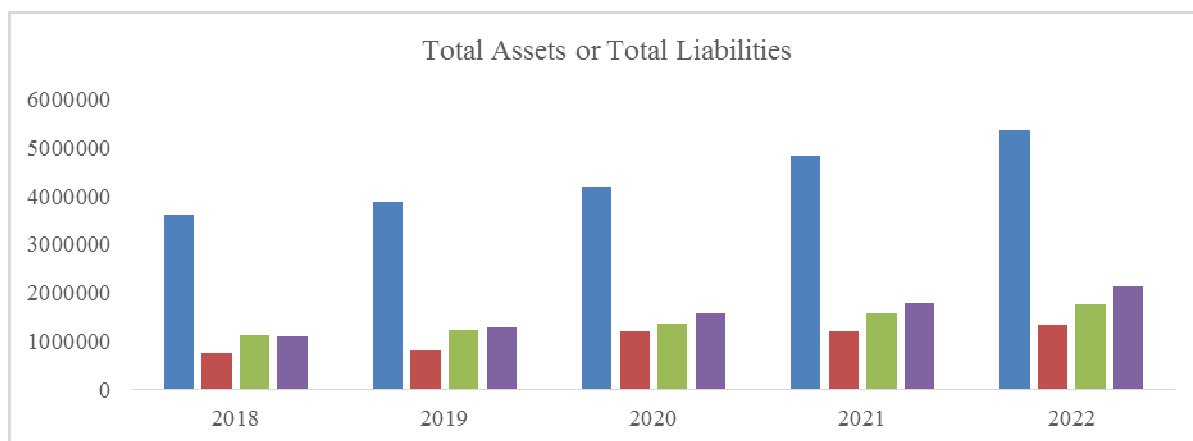
### 2. Total Assets or Total Liabilities

**Table- 2. Total Assets or Total Liabilities**

(Am. in Crore rs.)

Name of Bank	2018	2019	2020	2021	2022
SBI	3616433	3888467	4197492	4845618	5360883
BoB	747804	819671	1199942	1202675	1340137
ICICI	1124281	1238793	1377292	1573812	1752637
HDFC	1103186	1292805	1580830	1799506	2122934

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

According to table 2 assets of all four banks increased over a five-year period from 2018 to 2022. In comparison to all banks, HDFC bank's assets increased 1.92 times, BoB's 1.79 times, SBI's 1.48 times, and ICICI bank's 1.56 times.

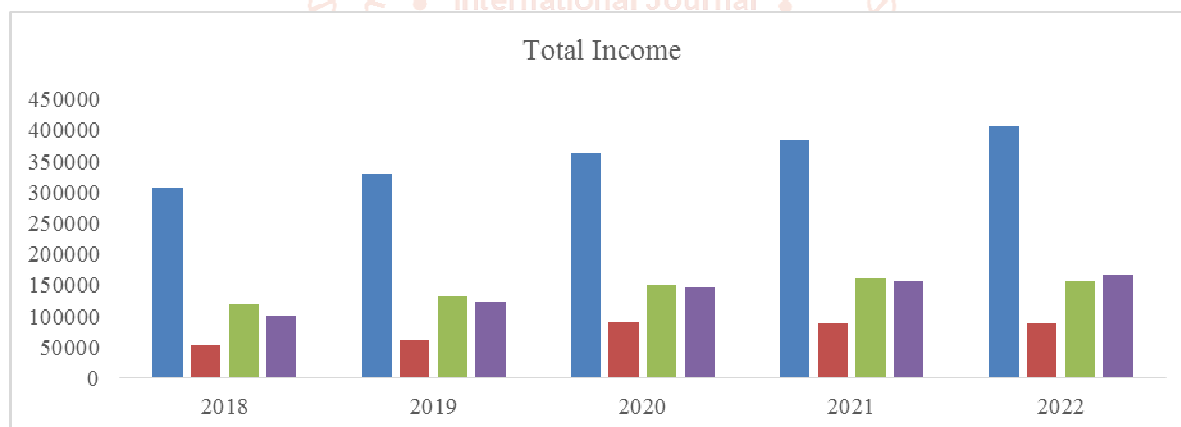
### 3. Total Income

**Table- 3. Total Income**

(Am. in Crore rs.)

Name of Bank	2018	2019	2020	2021	2022
SBI	306527	330687	362229	383970	406973
BoB	54048	60793	91086	89001	87780
ICICI	118969	131306	149610	161192	157536
HDFC	101344	124107	147068	155885	167695

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

According to table 3 total income of all four banks increased over a five-year period from 2018 to 2022. In comparison to all banks, HDFC bank's total income increased 1.65 times, BoB's 1.62 times, SBI's 1.33 times, and ICICI bank's 1.32 times.

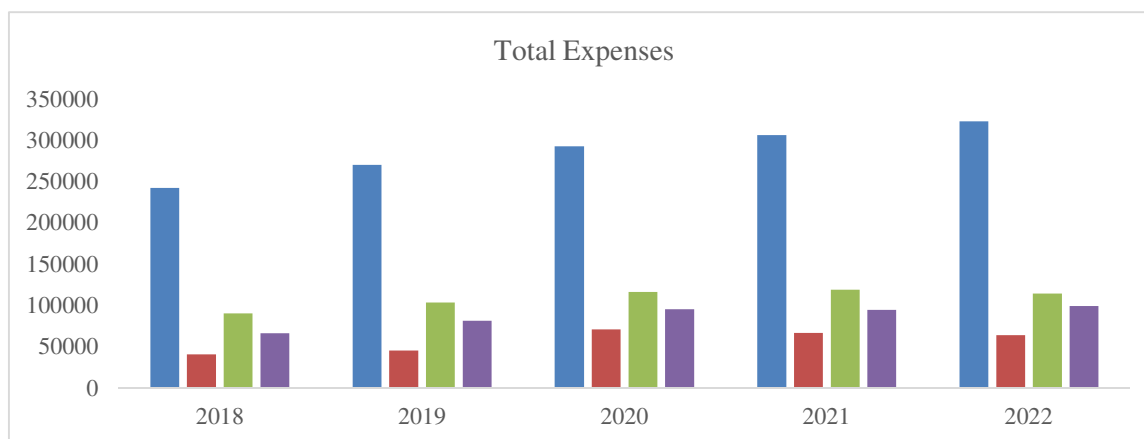
### 4. Total Expenses

**Table-4. Total Expenses**

(Am. in Crore rs.)

Name of Bank	2018	2019	2020	2021	2022
SBI	242746	270651	292905	306439	323139
BoB	40487	45274	70616	66318	63654
ICICI	90017	103436	116183	118930	114318
HDFC	66308	81407	95173	94248	98896

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

Total expenditures for all four banks rose over a five-year period from 2018 to 2022 according to table 4. The ICICI bank was found to be effective in its cost management. In contrast to other banks, BoB's overall expenditures were 1.57 times higher, HDFC's 1.49 times higher, SBI's 1.33 times higher, and ICICI bank's 1.27 times higher. SBI had the highest overall expenses.

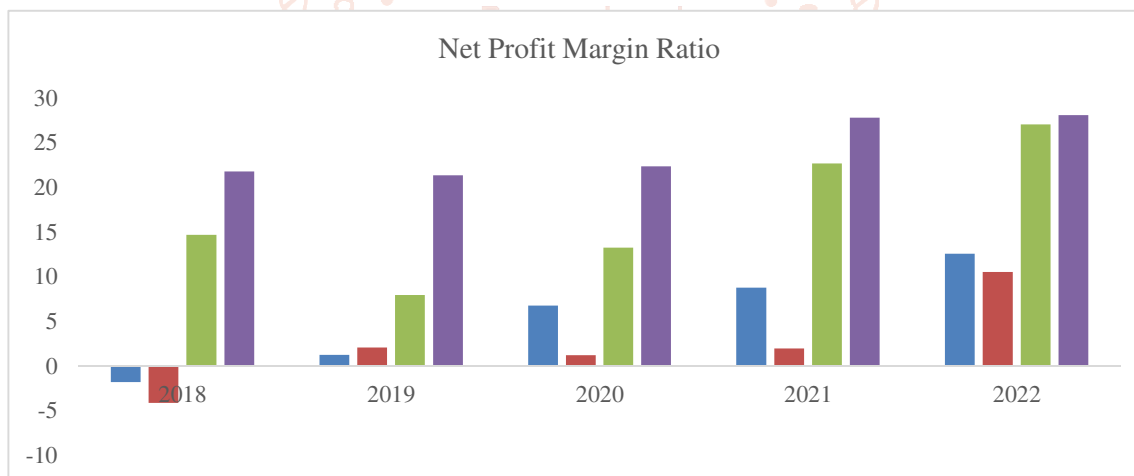
## 5. Net Profit Margin Ratio

**Table- 5. Net Profit Margin Ratio**

(Values in percentage)

Name of Bank	2018	2019	2020	2021	2022
SBI	-1.82	1.21	6.73	8.73	12.53
BoB	-4.15	2.05	1.19	1.95	10.49
ICICI	14.63	7.90	13.23	22.67	27.02
HDFC	21.76	21.34	22.33	24.78	28.06

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

The higher the net profit ratio, the more effective the company. This ratio measures the efficiency in which assets are used to produce revenue. Table- 5 shows that HDFC Bank performed well in comparison to the other three banks. The performance of SBI, BoB and ICICI was observed to be increasing.

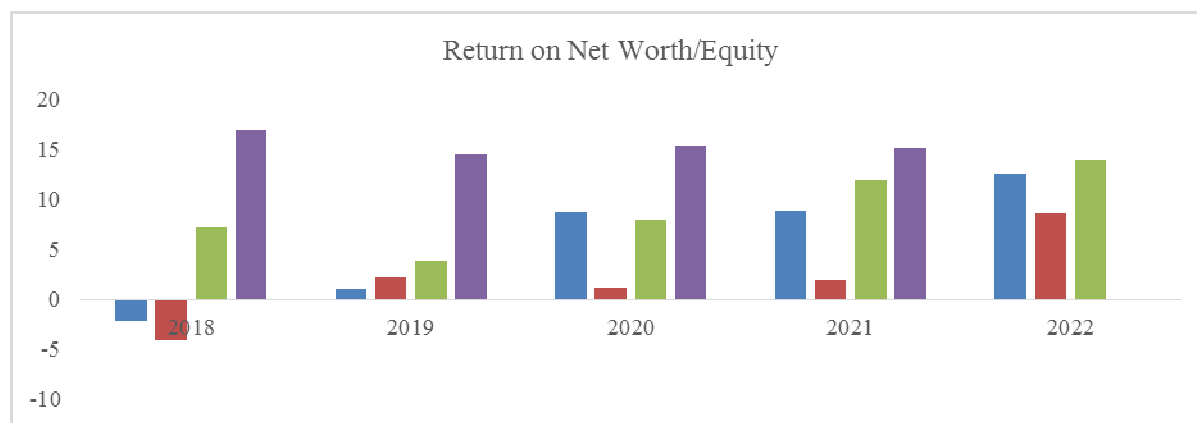
## 6. Return on Net Worth / Equity

**Table- 6. Return on Net Worth / Equity**

(Values in percentage)

Name of Bank	2018	2019	2020	2021	2022
SBI	-2.21	0.98	8.69	8.89	12.53
BoB	-4.05	2.20	1.21	1.87	8.54
ICICI	7.16	3.82	7.98	11.90	14.04
HDFC	16.88	14.53	15.45	15.17	15.38

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

This ratio calculates the rate of return on net worth investments. This is regarded as the most critical financial ratio because it relates to the return on shareholder equity. As a general rule the higher Return on Net Worth / Equity, the better the financial performance of the Bank and company. Table -6 shows that the HDFC bank outperformed the other four banks over the course of five years. ICICI banks' output has dropped by nearly 47 percent in 2019. In 2018, both public-sector banks performed very poorly but SBI improving after 2019 in return on Net Worth / Equity. BoB still decreasing. Return on Net Worth / Equity till 2021 and in 2022 it increases by 4.57 times.

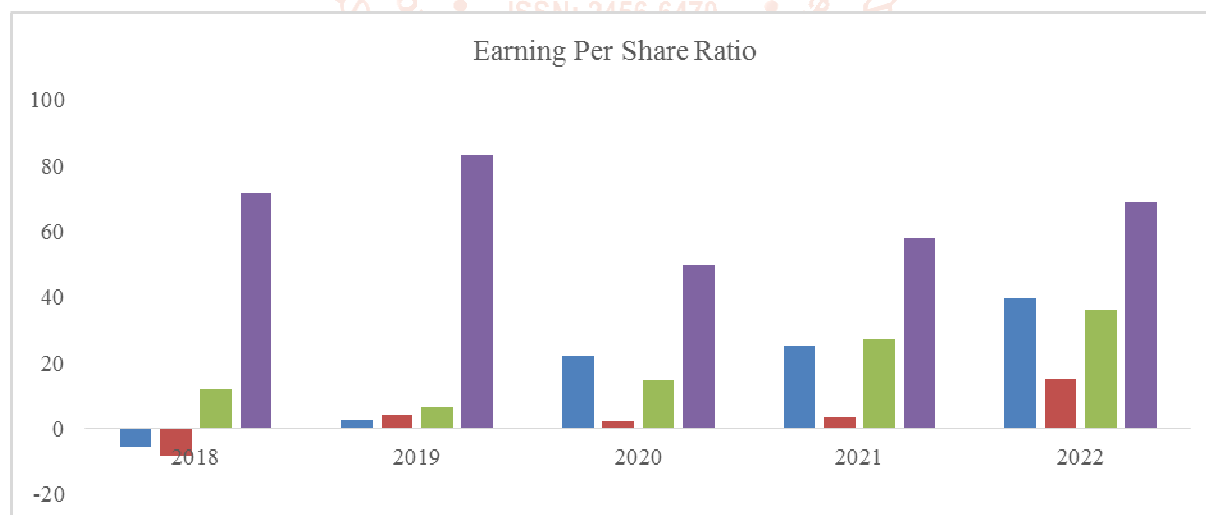
## 7. Earning Per Share Ratio

**Table- 7 Earning Per Share Ratio**

(Values in Rs.)

Name of Bank	2018	2019	2020	2021	2022
SBI	-5.34	2.58	22.15	25.11	39.64
BoB	-8.17	4.16	2.32	3.32	15.18
ICICI	12.02	6.61	14.81	27.26	36.21
HDFC	71.73	83.33	49.84	57.88	68.77

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

Earnings per share (EPS) is a measure of how much money is made per share. Table-7 shows that SBI has also changed from -5.34 to 39.64 rupees per share from 2018 to 2022, and BoB's has also changed from -8.17 to 15.18 rupees per share from 2018 to 2022. HDFC Bank's earnings per share (EPS) decreased, while ICICI Bank's EPS increased. In terms of EPS volatility SBI was found to be less volatile than other banks.

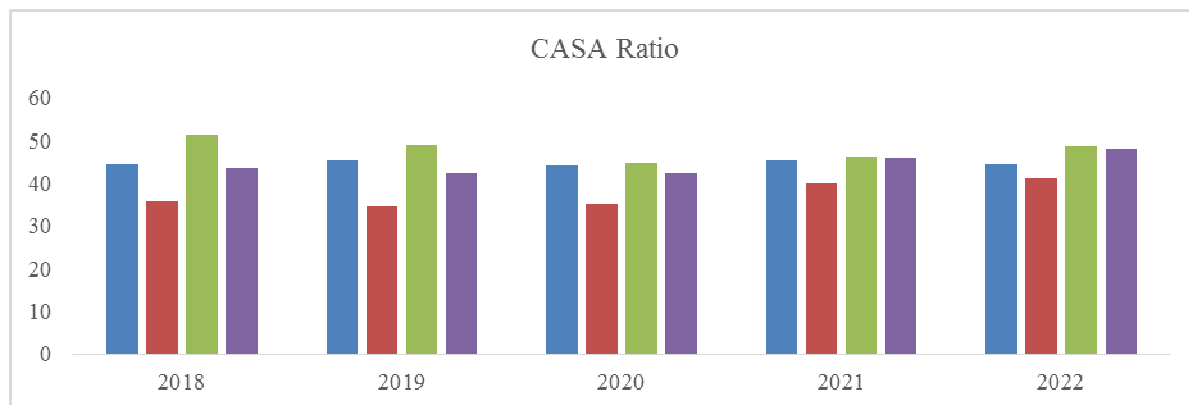
## 8. CASA Ratio

**Table- 8. CASA Ratio**

(Value in Percentage)

Name of Bank	2018	2019	2020	2021	2022
SBI	44.45	45.40	44.17	45.40	44.51
BoB	35.62	34.60	35.02	39.80	41.14
ICICI	51.32	48.77	44.83	46.16	48.60
HDFC	43.48	42.35	42.18	46.07	48.13

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

The CASA ratio describes total bank deposits in current and savings accounts in table 8. The higher ratio is beneficial since the bulk of funds come from the cheapest sources of funds, namely current and savings accounts. In table 8, the ICICI bank was found to be the best, followed by SBI and HDFC bank. In 2018, the BoB had a lower ratio, which improved by 1.16 times from 2018 to 2022.

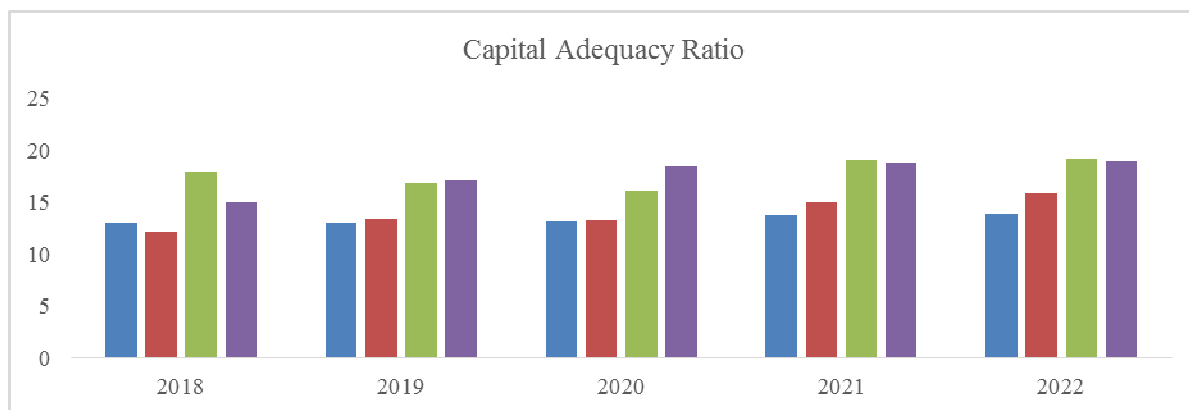
## 9. Capital Adequacy Ratio

**Table- 9. Capital Adequacy Ratio**

(Value in Percentage)

Name of Bank	2018	2019	2020	2021	2022
SBI	13.00	13.00	13.13	13.74	13.85
BoB	12.13	13.42	13.30	14.99	15.84
ICICI	18.00	16.89	16.11	19.12	19.16
HDFC	15.00	17.11	18.52	18.79	18.90

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

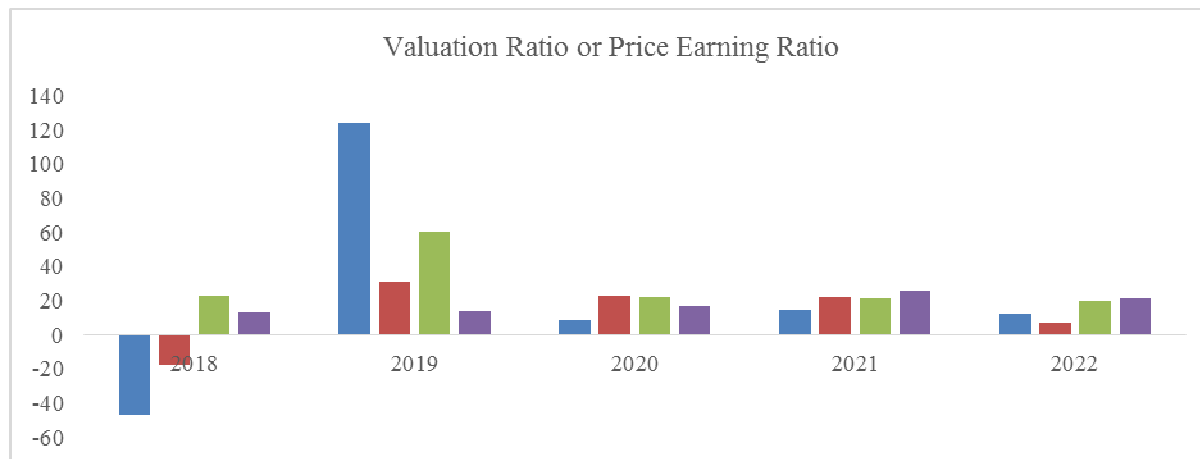
Capital adequacy ratios compare the sum of a bank's capital to the amount of its riskweighted credit exposures. The higher a bank's capital adequacy levels, the more unexpected losses it will take before going bankrupt. Table 9 shows that private banks performed better than public banks, with ICICI doing the highest of the four banks in 2021 and 2022 but in overall HDFC doing best.



**10. Valuation Ratio or Price Earning Ratio****Table- 10. Valuation Ratio or Price Earning Ratio**

Name of Bank	2018	2019	2020	2021	2022
SBI	-46.80	124.32	8.89	14.51	12.45
BoB	-17.42	30.93	23.08	22.32	7.35
ICICI	23.16	60.59	21.86	21.35	20.17
HDFC	13.15	13.91	17.29	25.81	21.38

Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023



Source- Compiled from financial data available in moneycontrol.com as on 15.04.2023

The Price Earnings Ratio is simply the stock price divided by the earnings per share. High PE Ratio stocks are considered expensive and growth stocks, whereas low PE Ratio stocks are considered inexpensive and value stocks. SBI had excellent returns in 2021 and BOB had excellent returns in 2019 but were very expensive, while HDFC was a very safe and ICICI's Price Earnings Ratio is decreasing after 2019.

**Conclusion-**

The financial performance of India's banking sector over the last five years from 2018 to 2022. The study also aimed to identify the main factors influencing bank success, as well as the best banks based on their financial results over a set period of time. Based on the data review the study found that private banks outperformed public sector banks. In the private sector, HDFC Bank outperformed ICICI Bank. Among public sector banks, SBI was observed to be very stable and to offer consistent returns to investors.

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